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United Nations Industrial Development Organization

Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 1 July 1993, at 10 a.m.

President: Mr. YIMER (Ethiopia)
later: Mrs. MACHADO QUINTELLA (Brazil)

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The meeting was called to order at 10.10 a.m.

UNIDO POLICIES (continued) (IDB.11/27)

MEDIUM-TERM PLAN, 1994-1999 (continued)
(IDB.11/27, IDB.11/28)

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (continued) (IDB.11/25; IDB.11/CRP.4)

NEW CONCEPTS AND APPROACHES FOR COOPERATION IN INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (C) OF THE CONSTITUTION (continued)
(IDB.11/13)

1. Mr. PUTHO (Thailand) said that UNIDO needed to alter its role and structure in order to reflect changes in world political and economic structures, the United Nations and the tripartite system of development. The reform of the Secretariat should be based on the principle that UNIDO should be driven by demand, in areas in which it was competent, in promoting and accelerating industrial development in developing countries within the five priority areas and three common elements of its rolling medium-term plan.

2. The new structure of UNIDO, and in particular the number of deputy directors-general, required a compromise between political and management considerations. Decision-making authority within the Organization should be as decentralized as possible and consideration should be given to setting up UNIDO regional offices where needed. Proposals for the structure of UNIDO had been submitted to the Board by the Asian Group at the tenth session. He hoped the Director-General would submit detailed proposals to the Board on the restructuring of the Secretariat, taking into account the Asian Group's suggestions, at a resumption of the present session, which should take place before the fifth session of the General Conference. He pointed out that those suggestions had included a request to the Director-General to prepare a working document containing information on restructuring measures adopted by other United Nations bodies. The restructuring would be a painful process for those concerned, but it was essential in order to achieve greater economy and effectiveness in the work of the Organization.

3. Mr. SARBU (Romania) said that UNIDO had to become a modern, flexible and efficient institution in order to meet the targeted needs of Member States and establish its credibility among them. There were three valuable sources of contributions to the debate on the restructuring

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of the Organization: the suggestions made by the Director-General in his opening statement at the present session, as well as the action he had already taken; the report on the informal consultations conducted in April 1993 by the President of the Board at its tenth session (IDB.11/28); and the progress report of the Task Force on Priorities and Structural Reform of UNIDO (IDB.11/CRP.4). He welcomed the Director-General's assurances that the restructuring process would not impair the functioning of the Organization, and particularly that of the Investment Promotion Service, during the transitional period. The Bureau of the Board, the Director-General and the Task Force should carefully analyse the material he had mentioned and formulate recommendations to be submitted to the forthcoming session of the General Conference through the Board at a resumption of its present session. Staff restructuring should reflect the principle of securing the highest standards of efficiency, competence and integrity with due regard to recruiting staff on a wide and equitable geographical basis. All Member States should have some representation in the Secretariat.

4. In the medium-term plan, the three key factors of human resource development, mobilization of financial resources and development and transfer of technology should be interrelated in order to achieve the necessary critical mass to produce the desired changes.

5. He appreciated the new ideas on industrial development cooperation set forth in document IDB.11/13 and suggested that the item should be a regular feature of the agenda of the Board and the General Conference, in order to stimulate a continuing search for new ways of meeting the Organization's challenges. He approved UNIDO's drive for new investment opportunities, for example within the framework of the Black Sea Economic Zone, where a regional investment bank had recently been established. He welcomed the build-operate-transfer (BOT) method of implementing infrastructural and industrial estate projects, which was effective in attracting foreign investment and promoting privatization. It had recently been mooted by UNIDO as a component of private sector infrastructural development under the programme of the Second Industrial Development Decade for Africa. It was also useful in countries in transition, where it was known as MOT (modernize-operate-transfer), as a means of upgrading existing industry and infrastructure with a minimum of investment.

6. He was confident that under the leadership of the new Director-General, UNIDO, acting in close consultation with Member States, particularly net donor countries, would meet the needs and expectations of the developing countries.

7. Mr. HELLER (Mexico) said that the informal consultations on relative priorities within the medium-term plan, 1994-1999, had not succeeded in establishing an order of priorities for the implementation of programmes and projects by the Organization. One reason was the confusion which existed about the components of industrial development, UNIDO's instruments for pursuing it and the targets on which the Organization should focus.

8. UNIDO should restructure itself quickly in order to meet the new and changing industrialization needs of developing countries and to accommodate a severe reduction in traditional sources of financing from UNDP. It had increasingly been recognized that UNIDO should be the coordinating centre in the United Nations system for industrial development, so that it could fulfil the mandates established in its Constitution and the Lima Declaration and Plan of Action. The Organization should be restructured on the basis of its three main functions: helping to develop industrial development policies and strategies; carrying out industrial development operations at regional, country, sectoral, branch, programme and project levels; and efficiently administering available human and material resources in order to reduce operating costs.

9. It must be decided whether UNIDO should be simply an executing agency for technical cooperation projects, financed from whatever source, or whether it should assist countries in achieving their industrial development targets through practical means such as industrial investment promotion, technology transfer, consultancy, global and sectoral industrial studies, human resource training and the preparation and implementation of industrialization and enterprise management plans. The Organization was an intergovernmental body whose mandate extended beyond mere technical assistance. It should therefore be restructured in such a way as to be able to fulfil the various goals set in its Constitution and by its governing bodies. A balanced programme of activities should be established so as to meet the manifold industrialization needs of Member States.

10. The number of deputy directors-general in the Secretariat should be the result and not the precondition of any restructuring process. He believed that the Fleischhauer agreement (General Assembly document A/39/376) should be interpreted to mean equitable geographical distribution of posts at all levels in the Secretariat, and not simply at the deputy director-general level as had been the case. He expressed firm support for the Director-General in the restructuring work and trusted that the Secretariat's proposals for reform would be presented to Member States for consideration in the autumn, with a view to an appropriate decision being adopted at the fifth session of the General Conference.

11. Mr. KUME (Japan) said that the situation in developing countries was becoming increasingly complex. The gap between North and South and even within the South was widening. He reiterated the importance of assistance and cooperation from developed countries, and from the United Nations system, to developing countries. Meanwhile UNIDO faced a financial crisis, which had to be resolved urgently, as a result of the withdrawal of Canada from the Organization and the new UNDP successor arrangements.

12. He commended the President of the Industrial Development Board at its tenth session, the Director-General and the Task Force on Priorities and Structural Reform of UNIDO for their work on relative priorities within the medium-term plan, 1994-1999. He hoped the Secretariat would act on the findings of the Task Force. A paper submitted by his delegation at the informal consultations on relative priorities had outlined the following principles. UNIDO should be demand-oriented, it should maintain neutrality and objectivity and it should be managed as

effectively and efficiently as its human and financial resources permitted. Secondly, it should clearly prioritize target countries, among which the least developed countries should have first priority. With regard to middle-income countries, the emphasis should be on the provision of information, technical advice and promotion of international cooperation so as to encourage them to graduate to the stage of self-reliance. In order to concentrate on specific sectors, the technical expert staff of UNIDO should be reintegrated and restructured. The Organization should target the institutional level in beneficiary countries and, at the request of a Government, assist individual enterprises. With regard to functions, it should focus on research, analysis and formulation of projects and advise and assist with project implementation. In middle-income countries, its activities should be concentrated on the provision of information as well as promotion of economic and technical cooperation among developing countries.

13. On the question of structural reform and rationalization of the Secretariat, there should be one deputy director-general. The Secretariat should be divided into three sectors: administration, planning and coordination, and operations. Appraisal, evaluation, audit and project follow-up activities should be emphasized, in order to free UNIDO from its present heavy reliance on the United Nations Development Programme. He hoped that agreement would be reached on the reform of UNIDO at the forthcoming session of the General Conference. He supported the idea of forming a special working group on the subject which would submit its recommendations to the General Conference through the Board at a resumption of the present session.

14. His country was endeavouring to increase its official development assistance (ODA) both bilaterally and multilaterally. The amount for 1992 was $11.3 billion. The Government had recently set a target of $70 to $75 billion for 1993-1997. In addition to its assessed contribution, it had contributed $10 million to trust funds and $15 million to the Industrial Development Fund (IDF). More than 50 per cent of the trust fund contribution was allocated to projects in Africa. The IDF contribution had been used mainly for investment promotion in developing countries. Japan would continue to support UNIDO's activities. He was confident that UNIDO's reforms would be carried out and that the Organization would survive.

15. Mr. KELLAND (Observer for Denmark), speaking on behalf of the European Community and its member States, said that UNIDO should play an effective role in promoting sustainable industrial development within the framework of the reform of the United Nations system as a whole. The best way of ensuring that would be for the Director-General to submit consolidated proposals to Members on priorities and structural reform the following September for discussion by the Board in October 1993, at a resumption of the present session, so that decisions on the subject could be reached at the fifth session of the General Conference. Those proposals should take account of statements delivered to the Board at the present session.

16. The following points were of special importance. Given that UNIDO had limited resources at its disposal, prioritization and greater focusing of work were necessary. Emphasis must be placed on activities in which UNIDO enjoyed significant comparative advantages, such as its neutrality and the fact that it combined analytical capacity with technical assistance at three target levels - policy, institutional framework and enterprises. The needs of developing countries should be decisive factors in the selection of priorities. UNIDO should have in-house expertise only in areas where critical mass could be realized; if it spread its resources too thinly, it could not deal effectively with the problems it was asked to address. The Community and its members advocated the maintenance of a small core of staff experts to cover key sectors of long-term significance, together with a roster of experts upon whose services UNIDO could draw as and when required.

17. Of the three target levels he had mentioned, it was the institutional framework level at which capacity-building, including the strengthening of managerial capacity, was most effectively carried out. Institutional framework activities should take place mainly where they would have an impact at the enterprise level. At the policy level, UNIDO did not have a normative role like most other specialized agencies, but it should have a function in matters such as standardization, quality control and environmental issues. The main product to be supplied by UNIDO was industrial technical assistance; the aim of assistance at the policy level should be to promote the creation of an enabling environment. At the enterprise level, the multiplier effect of assistance should be an important consideration; adequate criteria must be developed to avoid market distortion; and projects should be relevant to activities at the other two target levels. At all three levels the criteria for selection and implementation of UNIDO activities should be the same, irrespective of the source of funding. Varying needs must be recognized, and consequently different approaches applied, for activities in individual countries. As far as possible, implementation of activities at the country level should be integrated, so as to ensure that technical cooperation, investment promotion and policy advice were mutually supportive.

18. Adaptation of the departmental and overall structure of the Organization was the responsibility of the Director-General, but Members had to take a number of decisions in order for the Director-General to implement his plans to the full. The Community and its members reserved their position on the subject until they had seen the detailed proposals of the Director-General at a resumption of the present session. They were firmly convinced that decisions on reform would have to be adopted by the General Conference at its fifth session. The appropriate changes would ensure that UNIDO was of relevance to both recipient and donor countries, and would considerably increase the impact and efficiency of the Organization, thereby enabling it to attract more voluntary funds.

19. Mr. CHEN Shiqiu (China), speaking on agenda item 7, said that the fundamental role of UNIDO, as described in its Constitution, must not change as a result of the international upheavals of recent years, although some adjustments to the Organization were clearly necessary.

20. With regard to its priorities over the years UNIDO had established broad cooperation with industry, government departments, research institutions and enterprises world-wide,

accumulating a considerable body of information and experience in the process. However, only if that cooperation was suitably concentrated could priorities be met. The two priority sectors of activity for UNIDO were technical assistance, including economic and technical cooperation among developing countries; and promotion of industrial investment, including transfer of technology. Because of their differing stages of development, not all countries had the same needs, and were free to choose whichever kind of help they preferred. In the case of China, the need was for industrial investment. The Organization's achievements in technical cooperation and in the execution of UNDP projects were to be commended. China would welcome the opportunity to participate in the national execution of projects.

21. The various departments of the Secretariat must adapt their approach to programmes in order to achieve their goals. In promoting direct foreign industrial investment, for example, UNIDO could assist recipient countries by recommending reforms designed to improve the investment environment and helping in the preparation of investment policies and strategic sectoral programmes; by training staff for that purpose; and by assisting in the preparation of meetings and documentary material designed to promote industrial investment. UNIDO must expand its technical assistance and industrial investment activities so as to promote the flow of investment capital to developing countries.

22. In order to guarantee UNIDO's success, there must be a clear-cut distinction between its functions and those of other United Nations agencies; the United Nations Conference on Trade and Development, for instance, was also involved in industrial cooperation. The two bodies must adopt different priorities in order to avoid duplication. UNIDO must grasp the opportunities offered by the recent political and economic changes throughout the world, clearly identifying development goals and carving out a new, independent role for itself. His delegation was confident that the execution of the medium-term plan, 1994-1999, would result in a new and revitalized Organization.

23. With regard to the organization and staff structure of UNIDO, only when new priorities had been identified for the Organization's work could that problem be solved. Structural reform was not merely a question of increasing or decreasing the number of posts in the Secretariat, but must take place on the basis of the priorities in question. In the process of reform, the Secretariat and its various departments must look beyond their own interests in order to serve the wider interests of Member States.

24. Mr. MARTIN (United States of America) said that, against a background of worsening financial problems, Member States had been unable to reach a consensus on a proposal for reorganization or to agree on the activities to which UNIDO should give top priority. That was partly because they could not agree on the Organization's primary role. His delegation believed that prioritization and reorganization were crucial to UNIDO's ability to survive as an institution in an era of rapid economic change and increased competition. Member States must rescind the Roethlisberger decision, which linked deputy directors-general to departments, in order to give the Organization the flexibility it needed to consider proposals made to it. Resolving UNIDO's identity crisis was the key to solving problems associated with its reorganization and prioritization, and therefore one of the most urgent problems facing the agency. The Organization's role should be defined as quickly as possible so as to facilitate a decision on restructuring at the fifth session of the General Conference. UNIDO's form should be based on its function, and he trusted that the Director-General's proposals would proceed from that premise.

25. In view of the financial constraints facing the Organization, primary consideration should be given to structures with no deputy director-general or only one. Member States, in electing a new head, had demonstrated a renewed commitment to exploring the Organization's strengths. The time had come for them to effect changes that would demonstrate to national authorities, potential donors and beneficiaries of UNIDO's programmes and projects, that the Organization was an effective and efficient vehicle for the delivery of technical assistance. That was the only way to ensure the future of UNIDO.

26. Mr. PRUSAK (Observer for the Czech Republic), speaking on behalf of his own country, Hungary, Poland and Slovakia - the Visegrad Four - said that not only the developing countries but all Members of UNIDO should have access to its expertise and cooperation. The Visegrad Four had long provided developing countries with assistance and had themselves been temporary beneficiaries of foreign assistance, channelled through UNIDO, in the pursuit of economic change. They supported the idea of defining the role of countries in transition with a view to further cooperation with UNIDO.

27. Those four States faced serious problems resulting from the collapse of their former socio-economic system, which had coincided with the beginning of efforts to set up a new system based on market economics. The transformation they were undergoing brought problems that could not be solved quickly, since time was needed to rebuild the devastated structures inherited from the previous system. Many of the problems faced by countries in transition were very similar to those faced by developing countries. UNIDO should work with, and where necessary assist, countries in transition in their efforts to address the tasks with which they were confronted. The Visegrad Four were not merely seeking assistance; enhanced involvement in international economic and industrial cooperation could further industrial development world-wide, as well as their own industrial development. They had provided hundreds of high-level experts for various UNIDO projects and had followed that up with comprehensive in-plant training programmes, often provided at nominal cost. As world leaders in certain fields, they could compete with the most advanced industrial countries in providing affordable services of the highest quality. The developing countries could clearly benefit from the expertise of countries in transition. If UNIDO actively promoted cooperation between countries in transition and developing countries, the Visegrad Four, which met their financial obligations to UNIDO punctually and in full and regularly allocated sizeable resources to the Industrial Development Fund, could perhaps

provide more in the way of contributions to the Organization's work than they would receive in the form of technical and other assistance.

28. Ms. GRADIN (Observer for Sweden) welcomed the progress report on the work of the Task Force on Priorities and Structural Reform of UNIDO (IDB.11/CRP.4) as a preliminary sketch of what its new structure might contain. However, the process of identifying the new role and the concrete tasks of UNIDO, which involved showing how the Organization should deal with different sectors and themes, was only just beginning. Its role must be demand-driven; at the same time, while closely following economic and industrial trends and consequent needs among client countries, it must be guided by its comparative advantages. The critical mass concept must be another guiding principle for UNIDO, as well as the Organization's universality: no country or region should be excluded from cooperation with UNIDO, even though its main responsibility was towards the developing countries. The Organization must be more selective in determining its range of services and discontinue many activities as new, pressing demands arose. The Director-General would have to address that issue resolutely and unsentimentally.

29. UNIDO must be active on three levels: the government, the institutional framework and the enterprise. On the government level it should focus on policy advice that would help to create an enabling environment for industrialization. On the institutional framework and enterprise levels it should target governmental and private business associations with a view to achieving the maximum result. The Organization's assistance should place emphasis on small- and medium-scale industries and on entrepreneurship that was conducive to urban and rural employment and the eradication of poverty. UNIDO should seek to be a catalyst in the country concerned, wherever possible on a regional basis. Investment promotion, through intensified cooperation with development banks, should be another priority area for UNIDO's work. South-South as well as interregional trade and the exchange of technology and other know-how should also be encouraged as far as possible. The Organization had a vital role to play with regard to environmental sustainability in industrialization and in the follow-up to the United Nations Conference on Environment and Development and Agenda 21. That role should be clarified. The reference to the relative position of UNIDO within the totality of industry-related development assistance organizations in paragraph 3 of the progress report of the Task Force (IDB.11/CRP.4) did not seem to recognize that such organizations as the World Bank, which was not specifically concerned with industry, were working in the same areas as UNIDO. An explanation was needed as to how UNIDO related to such organizations with regard to the six themes listed in chapter III of that document.

30. In the development of human resources for industry, measures must be taken to remove gender imbalances in education, training and employment. If more women worked in the modern sector of industry, a great deal of poverty among women and children would be eliminated. She hoped that UNIDO would prepare a suitable input on the subject for the Fourth World Conference on Women, to be held in Beijing in 1995. She had high expectations of UNIDO in the fulfilment of Agenda 21, the Rio Declaration on Environment and Development and the final document of the World Conference on Human Rights. The Director-General should improve the representation of women in the UNIDO Secretariat, particularly at senior and decision-making levels.

31. While the Director-General had a wide mandate to carry out changes with regard to the structure and staff of UNIDO, changes relating to its operations and priorities should be decided by the Board. The present session should therefore be resumed, possibly in October 1993, in order to assess the state of the reform process before the fifth session of the General Conference.

32. Mrs. Machado Quintella (Brazil) took the Chair.

33. Ms. WIIG (Norway) supported the proposal to reconvene the Board later in the year in order to discuss and finalize the proposals on the reform and restructuring of UNIDO, which would have to be approved by the General Conference at its fifth session. That might be the last chance to put the Organization into a position to maintain its claim to a central role in industrial development. She congratulated the Director-General on the progress already achieved by the Task Force on Priorities and Structural Reform of UNIDO and urged Member States to share with the Secretariat their views on the crucial reform work over the coming months.

34. Her Government emphasized the need for selectivity in the range of services provided by UNIDO, a point that had been made by the Task Force. However, its report (IDB.11/CRP.4) listed a very ambitious range of activities which, though highly relevant to industrial development, were too broad in scope to be dealt with by a relatively small organization such as UNIDO. The Task Force should therefore concentrate on setting priorities in the next stage of its work. The future of UNIDO lay in deciding what were its main strengths and where its efforts were most needed. While her Government hoped that a restructured UNIDO would attract more voluntary funding, it would be wrong to be too optimistic about that prospect. Under present international economic circumstances, it might be that limits to financing the Organization's work were already established. That should be a major consideration in the development of the new structure.

35. Two elements deserved further consideration in the future work of the Task Force. The first was that of "critical mass", which was closely linked to priority setting. Being a small organization, UNIDO had to concentrate on a limited number of fields in which it could be competitive and could complement the work of other development agencies. It might therefore need fewer but stronger organizational units. Development assistance targeted three levels: government - the policy level - institutions and enterprises. It would seem the obvious course for UNIDO to concentrate on the institutional level. That would create the maximum multiplier effect and permit the transfer of information and technology to recipient countries without distorting the market, a point which was important in the action of an intergovernmental agency.

36. Member States had two constructive roles to play in the transformation of UNIDO. The first was to promote and approve reform which concerned the fundamental mission of the Organization, and the second was to take decisions that would lead

to a Secretariat structure which combined efficiency, flexibility and adaptability. Details of the Organization's structure should remain almost entirely the responsibility of the Director-General.

37. Mr. WOTAVA (Austria) said that UNIDO's present difficulties were caused by changes in the global economic environment and by certain structural inadequacies in the Organization. The necessary reform had to address both factors.

38. Commenting on points dealt with in the report submitted by the President of the Board at its tenth session (IDB.11/28), he said that any potentially useful idea about priorities for UNIDO's work should be considered, whether or not it fell within the formal framework of the medium-term plan. Neither donors nor beneficiary countries seemed to have a clear picture of the impact on their economies of assistance channelled through UNIDO. It should not be too difficult for that situation to be remedied if the Organization's services were properly marketed. He welcomed the widely positive appraisal of the UNIDO Country Director programme, particularly as one of the tools in the implementation of United Nations country and regional development strategies. Especially promising areas for priority action were ecologically sustainable industrial development; development, rehabilitation and promotion of the private sector, with emphasis on small- and medium-scale industries; and investment promotion. The functioning of UNIDO's policy-making organs should be improved, but it should be remembered that decision-making was not necessarily a question of procedure where political issues were involved.

39. It was urgently necessary, for UNIDO's recovery, to define a clear role for the Organization and establish viable priorities for its activities and methods. He appealed to all Members to spare no effort to reach agreement on the question of priorities in time for the next session of the General Conference. They would have only themselves to blame if UNIDO were not given timely guidance on that important policy matter.

40. The organizational reform of UNIDO was closely related to its efforts to come to grips with changing economic and political circumstances and their repercussions on industrial development. He welcomed the report of the Task Force (IDB.11/CRP.4) for defining various restructuring issues, but it provided no clear assertions on the practical consequences which they entailed.

41. His delegation highly valued the work of the women's unit in the Secretariat for integrating gender concerns into the Organization's activities. Since the unit provided advisory services to Governments and institutions, and since its expertise was required by technical departments of the Secretariat, it should be regarded as a substantive unit and should not be affected by any move to abolish coordinating functions within UNIDO.

42. While it was generally agreed that organizational matters should be dealt with after functional issues, that did not necessarily imply that the new functions of UNIDO should already be in place before the Board began to consider organizational reform. He firmly opposed the idea of postponing useful action that could be taken at once, simply because larger reforms were in the offing. It was essential to take rapid advantage of the momentum created by the election of the new Director-General so as to bring about a credible revival of the Organization, inspiring its staff and sending a clear message to both recipients and donors.

43. UNIDO was in an extremely precarious situation and its very existence would be jeopardized if major donor countries were to follow the example of one of their number by withdrawing from the Organization. UNIDO must become sufficiently attractive to donor countries to convince them that financial resources placed at its disposal for the benefit of developing countries would be money well spent.

44. Mr. PERMANAND (Trinidad and Tobago) broadly agreed with the report on the informal consultations on priorities and reform (IDB.11/28). UNIDO's primary objective was to promote the industrial development of the developing countries; it should not assist the least developed countries exclusively.

45. In the past year his Government had adopted stringent fiscal and monetary policies as a means of assuring sustainable growth in the medium term. It had also comprehensively reviewed legislation that hampered export competitiveness and had recognized the importance of supporting export enterprises with a full range of technical assistance. UNIDO was well placed to help in that respect, for instance, by providing information on global economic trends and their effect on industry in developing and developed countries.

46. His delegation had found the Secretariat's analysis of privatization obstacles a very useful piece of research. In the Director-General's report on industrial restructuring and privatization (IDB.11/24), the Secretariat made very large claims about the assistance it could provide in that area. Expertise in such matters as company law, corporate finance and auditing was not to his knowledge available within UNIDO. Rather than attempting to supply all the expert services needed for enterprise restructuring and privatization, should specialize in certain forms of assistance. One priority area for countries embarking on privatization would be strengthening the services and institutional sector.

47. UNIDO should proceed cautiously in testing the new concepts for industrial development cooperation outlined in the Director-General's report on that subject (IDB.11/13). His delegation found particular merit in services for integrated programmes of industrial upgrading, venture capital funds, industrial leasing and the application of new management techniques. Those were areas in which UNIDO's expertise could be used to advantage.

48. Mr. VETTOVAGLIA (Switzerland) had difficulty in reconciling the seriousness of UNIDO's problems, and the urgent need to solve them, with the abstract nature of the repeated discussions in its so-called governing bodies. He compared the situation to that on the S.S. Titanic, whose band played on while the ship was going down. Abstraction extended to documents too; as an example, he quoted the last two sentences of the conclusion in the document on new approaches for

industrial development cooperation (IDB.11/13, para. 36). Statements of that kind were of no practical value.

49. The fourth session of the General Conference and the tenth session of the Industrial Development Board had both failed to set priorities for the Organization and restructure it. He did not believe that the present session would produce clear guidelines on those matters for the Director-General. The Board's hopes rested on the UNIDO Task Force on Priorities and Structural Reform, although its first contribution to the debate was difficult to decipher. The Director-General counted on receiving guidance from Member States, but his own delegation was not certain that he would receive anything more than banal generalizations. Only the Director-General and the Secretariat could save the Organization. The Director-General must act swiftly to implement reform and new strategies. The medium-term plan was sufficiently vague to enable him to make the necessary adjustments, if necessary without continuous approval from the Member States. If the Director-General showed the necessary qualities of leadership, UNIDO would survive. If he played the ball back to the Member States, he would run the risk of foundering with his Organization. For the first time, the Swiss delegation feared for the future of UNIDO.

50. Mr. DAMANPAK JAMI (Islamic Republic of Iran), referring to the medium-term plan, 1994-1999, said that the informal consultations, while not leading to tangible results, had paved the way to a final conclusion in the near future. Any redefinition of UNIDO's activities should be done in such a way as to enhance the Organization's ability to achieve its fundamental statutory objectives, but taking care to exclude no potential beneficiary country. The medium-term plan should continue to be UNIDO's principal policy directive, with its five priority areas and three common elements serving as the basis for determining priorities, and with regional differences being taken into account. The Organization should be capable of developing flexibility and a capacity for change, together with a thorough understanding of national and regional needs. It should focus its work on those needs, as identified by recipient Governments, and for that purpose maintain and improve communication with Governments in both donor and beneficiary countries. Intervention by UNIDO at the institutional and enterprise level was very important, but it must be in harmony with national industrial policies. The Organization's programming instruments, as defined in the medium-term plan, were important, but might have to be modified when a new structure was decided on.

51. He agreed that reforms were necessary in the organizational and staff structure of UNIDO. Their purpose should be to achieve a high level of coordination among the different departments; to eliminate unnecessary duplication of effort; to improve the overall administrative management of the Organization; to introduce a mechanism for the regular assessment of performance; and to ensure that the organizational and staff structure reflected the relative priorities of the medium-term plan. Action should be taken on the matter promptly, and in no event later than the forthcoming session of the General Conference.

52. While one dimension of reform was purely technical, relating to the effectiveness and efficiency of the Secretariat, another was political, involving a decision on the number of high-level posts and requiring geographical distribution to be taken into account. In his view the technical aspect should be settled first, after which Member States might reach some compromise on senior posts and ensure that all regional groups were properly represented. As the Organization's chief administrator, the Director-General had primary responsibility for proposing reforms and priorities; he should take advantage of expertise within the Secretariat and the experience of other United Nations agencies, as well as pay heed to the general guidelines given to him by Member States. He therefore welcomed the establishment of the Task Force on Priorities and Structural Reform, whose findings should constitute the main basis for a report permitting the General Conference to come to a compromise decision. Since such a report had not yet been finalized, he supported the proposal to resume the present session of the Board before the fifth session of the General Conference.

53. Mr. TREMEAU (France) said that, while fully endorsing the statement made on behalf of the European Community and its members, he had a few comments of his own to add. France took a deep interest in the revitalization of UNIDO and had played an active part in the informal consultations held for that purpose. The common concern of all Member States was to increase the effectiveness of UNIDO's work, in the interests of both donors and beneficiaries. It was gratifying to note some progress towards greater transparency in the internal functioning of the Organization. Closer collaboration between departments was equally necessary, calling for a more rational distribution of functions. Member States should fully support the efforts undertaken in that respect by the Director-General and the Secretariat, since their interests were the same.

54. The first step was to stabilize the budget by settling the arrears. Savings would have to be made as well, which implied judicious staff reductions and action to prevent the dispersal of the Organization's efforts over areas where it lacked the necessary means to be effective or in which other organizations were already actively involved. The purpose was not to prevent UNIDO from adapting its activities to changing conditions, but to encourage it to do so prudently, bearing in mind its limited resources. The future called for concentration on specific activities in key sectors and the clear definition of priorities and responsibilities. Such action should be carried out in close collaboration with the other specialized agencies and the Bretton Woods institutions. Savings had to be linked organically to the restructuring exercise which the Director-General was undertaking. The three-pronged approach the Director-General had outlined seemed promising and France would support his efforts, as well as those of the Task Force. The restructuring should be as simple and pragmatic as possible, aimed at providing UNIDO with the resources it needed to fulfil its basic mission.

55. France considered that the main thrust of UNIDO's work should be assistance for industrial development policies and strategies; industrial investment promotion; technical support for industrial operations; development of human resources; and the dissemination of information on industrial technologies and processes. Experience showed that the Organization was at its best when it concentrated on assisting small- and medium-scale

enterprises, rather than States, and focused on practical projects. Ideas put forward by other Member States should be carefully examined, but care should be taken not to pursue too many issues at the same time. France looked forward to finding a solution to the problems that had long beset UNIDO and would support all the efforts made by the Director-General to that end, with a view to agreement on reform being reached at the forthcoming session of the General Conference.

56. Ms. IMIANVAN (Nigeria) reiterated her country's view that the proposed reorganization of UNIDO should be guided by the goals of clarity, simplicity, increased technical cooperation and greater country focus. The new structure should incorporate the principles of efficiency and effectiveness while preserving the Organization's constitutional functions. Dwindling financial resources made prioritization a necessity. The priorities had to be based on the five priority areas and the three common themes outlined in the medium-term plan, which remained UNIDO's principal policy document.

57. The industrialization needs of the developing countries should be the principal focus for determining UNIDO's future priorities. The industrialization of sub-Saharan Africa was of particular interest to her own country, which considered that UNIDO's advantages as the lead agency for industrial development should be fully exploited for that purpose. Broad areas of agreement on relative priorities had already emerged, but the scope of reform required further consultations. For instance, a proposal had been made to replace the existing policy-making organs by entirely new machinery, which clearly went beyond the provisions of the Constitution. While the motivation might be to provide the Secretariat with more guidance, she did not believe that a new decision-making structure would necessarily promote confidence and trust in UNIDO. Certainly no rushed decision should be taken on the matter.

58. At a meeting held in Dakar, Senegal, in May 1991, African Ministers of Industry had expressed their support for a leaner, three-department structure for UNIDO, which Nigeria had endorsed. She reaffirmed her country's support for that proposal and considered that the progress report on the work of the Task Force (IDB.11/CRP.4) confirmed the need for such a structure. Any changes should be based on consensus. Moreover, the system that was eventually adopted should respect the principle of equitable geographical representation at all levels, but particularly in regard to the most senior positions. She felt confident that special attention would be paid to the needs of African countries in that respect.

59. She welcomed the information given in the report on new approaches to industrial development cooperation (IDB.11/13), with regard to UNIDO's promotion activities. She urged all Member States to make every effort to enable the forthcoming session of the General Conference to adopt a decision on the organizational and staff structure of UNIDO, as called for in Conference decision GC.4/Dec.22.

60. Mr. BAKSHI (India) said that it had been generally agreed during the informal consultations on UNIDO's future that the aims and objectives of UNIDO remained the same, although global circumstances had changed. Consequently, the means of achieving those objectives must reflect the new circumstances, which called for adaptation to current needs, for example in such fields as restructuring and privatization. It had been widely accepted that structural changes within UNIDO were urgent, must be based on needs, and should meet the requirements of the developing countries while satisfying the donors that funds were being used effectively. In that context, it was essential to select priorities, which in his view should include investment promotion, the transfer of technology and human resources development.

61. Participants in the informal consultations had stressed that any restructuring must follow rather than precede the definition of priorities. Much time and effort had been spent on the issue of the number of deputy directors-general - an approach to the problem which had not proved productive. All such arrangements should await the finalization of the proposals on priorities. However, that should not prevent the Director-General from undertaking some vigorous streamlining within his present powers and prerogatives. It had also been agreed in the consultations that ways and means of improving UNIDO's financial situation must be given high priority. Efforts to diversify sources of funding should continue, as well as efforts to ensure the timely payment of contributions. Without a stable financial position, all other action would be fruitless.

62. There had been general agreement that the working of the policy-making bodies must be improved, with a view to ensuring optimum results. Some of the findings of the Task Force had been presented to the Board: they gave much food for thought. Under the new Director-General, who enjoyed the Board's confidence and support, Member States should continue to consult among themselves and with the Secretariat with a view to producing consensus conclusions that would make the forthcoming session of the General Conference a turning point in UNIDO's history.

The meeting rose at 12.55 p.m.